

## Message Text

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ACTION IO-13

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E.O. 11652: N/A

TAGS: AORG, AFSP, IAEA, AFIN

SUBJECT: LOCAL GENEVA GROUP MEETING ON IAEA BUDGET

REF: IAEA VIENNA 2746

1. SUMMARY - AT THE LOCAL GENEVA GROUP MEETING, APRIL 6, GENERAL CONSENSUS WAS REACHED THAT THE IAEA BUDGET FOR '78 IS BASICALLY REASONABLE AND WELL LAID OUT, BUT IN CERTAIN AREAS COULD STAND TOUCHING UP. CONCSNEUS WAS ALSO REACHED THAT THE TARGET FOR VOLUNTARY CONTRIBUTIONS SHOULD BE INCREASED DOLS 500,000 TO DOLS 6,500,000 FOR 1978. ALL ATTENDEES EXPECT GREAT PREASURE FOR INCREASING THE TARGET TO AT LEAST DOLS 7,000,000.

2. ON APRIL 6, THE VIENNA GENEVA GROUP CONVENED TO CONSIDER THE IAEA DRAFT BUDGET (GOV/1828). IN ATTENDANCE WERE REPRESENTATIVES OF THE U.K., CANADA, JAPAN, SWEDEN, NETHERLANDS, AUSTRALIA, BELGIUM, FRG, FRANCE, ITALY, AND THE U.S. WITH THE EXCEPTION OF CANADA NO COUNTRY REPORTED RECEIPT OF INSTRUCTIONS FOR THE A&B COMM MEETING, ALTHOUGH FRG REP HAD OBTAINED PRELIMINARY THOUGHTS. PARTICIPANTS' COMMENTS ARE SUMMARIZED

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BELOW.

3. AFTER AMBASSADOR STONE'S OPENING REMARKS WHICH REFLECTED THE CONTENTS OF REFTTEL THE U.K. (D. SLATER) OPENED THE GENERAL DISCUSSION EXPRESSING SATISFACTION WITH THE BUDGET AND APPROVAL OF THE INCREASE IN SAFEGUARDS WHICH IS CONSISTENT WITH THE U.K.'S NON-PROLIFERATION POLICY, AND REFLECTS INCREASES

IN BOTH THE AMOUNT AND COMPLEXITY OF SAFEGUARDS ACTIVITIES. GENERAL ENDORSRSEMENT DID NOT PREVENT THE BRITISH FROM SUGGESTING THAT THE DRAFT BUDGET WAS TOO LARGE AND THAT SOME PROGRAMS SUCH AS TECHNICAL COMMITTEES AND ADVISORY GROUPS IN NUCLEAR SAFETY AND ENVIRONMENTAL PROTECTION AND THE NUCLEAR POWER AND REACTORS PROGRAM RESOURCES DEVOTED TO SOLAR AND OTHER ENERGY ALTERNATIVES MIGHT BETTER BE DROPPED. NOTWITHSTANDING ENDORSEMENT OF SAFEGUARDS, SLATER QUESTIONED THE INCREASE IN THE DIVISION OF SAFEGUARDS DEVELOPMENT (GOV/1828, PAGE 64), AND SPECIFICALLY THE "OTHER COSTS" CATEGORY. (FYI: THE PRESENTATION OF THE BUDGET IS SUCH THAT "OTHER COSTS" ARE UNEXPLAINED AND CAN RUN TO LARGE AMOUNTS. MISSION BELIEVES THAT SUBPROGRAM "OTHER COSTS" SHOULD BE BROKEN DOWN BY ITEM TO CONFORM TO THE PROGRAM SUMMARY TABLE).

4. CANADA RAISED SEVERAL POINTS, PRIMARILY CONCERN FOR THE 21.7 PERCENT INCREASE IN MEMBERSHIP ASSESSMENTS, IN SPITE OF THE OVERALL REASONABLENESS OF THE BUDGET. CANADA WANTS INFORMATION ON IAEA METHODS FOR PROJECTING THE AMOUNT OF THE BUDGET TO BE CONVERTED TO SCHILLINGS, AND CALCULATING THE PRICE INCREASE FACTOR, AND ON ASSUMPTIONS REGARDING UNFILLED POSITIONS. TREATMENT OF THE COSTS OF THE MOVE TO DONAU PARK AS A REGULAR BUDGET ITEM, RATHER THAN AS AN EXTRAORDINARY CAPITAL BUDGET ITEM WAS ALSO QUESTIONED AS IT DISTORTS THE BUDGET'S PERCENT INCREASE. FYI: TRANSFER COSTS SHOW UP AS A NEGATIVE INCREASE IN THE '78 BUDGET AND REDUCE THE TOTAL BUDGET INCREASE FROM DOLS 6,083,000 TO DOLS 3,533,000. PRICE INCREASE FACTORS ARE CALCULATED BY THE IAEA ON A MARKET BASKET OF AGENCY PURCHASES AND FOR EACH PROGRAM VARY IN PER-

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CENTAGE ACCORDING TO EACH PROGRAM'S MIX OF EXPENDITURES AND INFLATION PROJECTED FOR EACH TYPE OF EXPENDITURE, ABBADESSA REPORTS. END FYI. LATER HAFHEY ADDED OTTAWA'S STRONG OBJECTION TO THE RECLASSIFICATION OF THREE P-5'S TO THE D-1 LEVEL OR TO CREATION OF P-6 POST FOR THE BENEFIT OF THESE INDIVIDUALS, SINCE BOTH APPROACHES DO VIOLENCE TO THE U.N. SYSTEM OF CLASSIFICATION BY POSITION RESPONSIBILITIES. HAFHEY ALSO RAISED A QUESTION REGARDING THE TRANSFER IN 1976 OF DOLS 409,000 FROM SAFEGUARDS (PAGE 75, GOV/1829, THE AGENCY'S ACCOUNTS) TO SOME OTHER USE, IN VIEW OF THE SPECIAL FINANCING ARRANGEMENTS FOR SAFEGUARDS. FINALLY, HAFHEY SUGGESTED THAT THERE SHOULD BE A CONSOLIDATED TABLE OF PRINTING AND PUBLISHING COSTS BY PROGRAM, WHICH NOW ONLY SHOW UP AS COST ITEMS UNDER INDIVIDUAL PROGRAMS.

5. JAPAN (YATABE) FOUND THE BUDGET TO BE BASICALLY REASONABLE BUT HIGH AND PROPOSED A CUT BETWEEN ONE MILLION AND ONE AND A HALF MILLION DOLLARS. YATABE DID NOT HAVE SPECIFIC PROGRAMS IN MIND FOR CUTS. PARTICULARLY ALARMING TO YATABE WAS THE EFFECT

OF JAPAN'S INCREASED RATE OF ASSESSMENT ALONG WITH IAEA BUDGET GROWTH SO THAT JAPAN'S ACTUAL PAYMENT INCREASED FROM 1977 IS 51.6 PERCENT. A BUDGET CUT OF ONE MILLION DOLLARS WOULD BRING THE ASSESSED BUDGET INCREASE DOWN TO A REASONABLE LEVEL IN HIS VIEW.

6. SWEDEN SITTING IN AS AN OBSERVER OFFERED NO COMMENT.

7. ITALY (ZAMBONI) HAD NO INSTRUCTIONS AND SAID NOTHING.

8. THE NETHERLANDS (BIRKMAN) WITHOUT INSTRUCTIONS SHARED THE CONSENSUS THAT THE BUDGET WAS REASONABLE, BUT NEVERTHELESS DESIRED A REDUCTION SOMEWHERE.

9. AUSTRALIA (O'NEILL) POINTED OUT THAT THIS YEAR WE ARE CALLED ON TO PAY THE PRICE OF OUR NONPROLIFERATION POLICIES THROUGH THE INCREASE IN THE SAFEGUARDS BUDGET. O'NEILL LIMITED OFFICIAL USE

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SUGGESTED THAT PASSING ON UNOBLIGATED BALANCES RESULTING FROM DELAYS IN RECRUITING TO THE NEXT YEAR'S BUDGET WOULD SMOOTH ASSESSED BUDGET GROWTH FROM YEAR TO YEAR. NOTWITHSTANDING THE FACT THAT ACCUMULATED BUDGETARY SURPLUSES ARE FINANCING IAEA'S MOVE TO DONAU PARK, AUSTRALIA WOULD PREFER TO SEE MORE REALISTIC BUDGETS WITH SMALLER SURPLUSES. HE TOOK DIM VIEW OF PROMOTIONS TO D-1 FOR THREE P-5'S. O'NEILL AGREED WITH U.K.

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RESERVATIONS RE PROPOSED AGENCY SOLAR ENERGY, ACTIVITY, POINTING OUT THAT UNIDO HAS UNDERTAKEN SOLAR ENERGY ACTIVITIES. HE ALSO QUESTIONED THE 14 PERCENT RATE OF REIMBURSEMENT OF OVERHEAD COSTS FOR PROJECTS CARRIED OUT FOR UNDP, WHICH HE FELT WERE LOW COMPARED TO REIMBURSEMENT RATES OF UP TO 30 PERCENT OBTAINED BY OTHER AGENCIES. THE TRANSFER OF POSITIONS WITHIN THE AGENCY (GOV/1828, TABLE 5, PAGE 112) IS WITHOUT ANY JUSTIFICATION OR EXPLANATION WHICH SHOULD BE PROVIDED EVEN THOUGH THERE IS NO NET CHANGE.

10. BELGIUM (WILLEMS) OFFERED NO COMMENT.

1. FRG (AMB. HOFFMAN) EXPRESSED SHOCK AT THE 41 PERCENT ASSESSMENT INCREASE THE FRG WOULD HAVE TO PAY. (FYI: THE FRG INCREASE, LIKE THAT OF JAPAN, IS VERY LARGE DUE TO THE FRG'S INCREASED SCALE OF ASSESSMENT COUPLED WITH THE 21.7 PERCENT INCREASE IN ASSESSED BUDGET. END FYI). HOFFMAN ECHOED THE SENTIMENT THAT "EVERYTHING IN THE DRAFT BUDGET IS REASONABLE EXCEPT THE INCREASE." IN VIEW OF THE LARGE INCREASE NECESSARY IN SAFEGUARDS AND GENERAL RESISTANCE TO EXPANDED BUDGETS, HOFFMAN EXPRESSED THE VIEW THAT THE DISPROPORTION BETWEEN TA AND SAFEGUARDS BUDGET INCREASES WOULD CONTINUE TO GROW AND THAT PROBLEMS WOULD GROW OUT OF THIS DISPROPORTION. IN LIMITED OFFICIAL USE

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VIEW OF THE FRG DOMESTIC BUDGET AUSTERITY, HOFFMAN EXPRESSED RESERVATIONS CONCERNING THE PROPOSED INCREASES IN POSITIONS IN THE AGENCY AND FURTHER THAT THE AGENCY TRAVEL BUDGET COULD BE REDUCED BY CUTTING BACK ON SECRETARIAT REPRESENTATION AT MEETINGS, ETC. HOFFMAN'S GENERAL COMMENTS ARE PERHAPS BEST SUMMED UP: "WHY SHOULD THE IAEA BE ALLOWED TO GROW WHEN NO ONE ELSE IS?" PROMOTIONS FOR THREE P-5'S TO D-1 OR TO P-6 ARE AS UNATTRACTIVE TO FRG AS THEY ARE TO MOST OTHERS. IN REGARD TO SOLAR ENERGY, HOFFMAN JOINED THE UK IN FINDING THIS ITEM UNNECESSARY AND WENT ON TO POINT OUT THAT UNESCO, IIASA, AND IAEA ALSO HAVE SOLAR ENERGY ACTIVITIES. THE US COMMENTED THAT IT CLEARLY WAS UNDESIRABLE TO ADD STAFF POSITIONS TO ADVISE ON SOLAR OR OTHER NON-NUCLEAR FORMS OF ENERGY, BUT THAT A CASE COULD BE MADE FOR THE NEED FOR IAEA TO OBTAIN ADVICE FROM CONSULTANTS ON OCCASION, ESPECIALLY WHEN ADVISING DEVELOPING MEMBER STATES ON THEIR ENERGY PLANS AND PROGRAMS. MOREOVER, IAEA COULD AVOID DUPLICATION OF EFFORT BY EMPLOYING CONSULTANTS FROM OTHER ORGANIZATIONS WHEN NEEDED. THE PROBLEM OF NONCONVERTIBLE CURRENCY BALANCES IN OP FUND II WAS RAISED BY HOFFMAN, WHO SUGGESTED THAT THE US MAKE THE SAME OFFER IN IAEA AS MADE LAST YEAR IN U.N. FOR CERTAIN UNDP NONCONVERTIBLE CURRENCY BALANCES, I.E., PURCHASE OF RUBLES. (FYI: ALL IAEA EAST BLOC CURRENCY BALANCES WOULD PRODUCE DOLS 2,105,101 ACCORDING TO THE AGENCY ACCOUNTS (GOV/1829).

A LARGE PART OF THESE FUNDS ARE EARMARKED FOR T.A. AS A RESULT OF HAVING BEEN VOLUNTARY CONTRIBUTIONS FOR THAT PROGRAM.  
END FYI).

12. FRANCE, LIKE MANY OTHERS, SAID THE AGENCY BUDGET WAS REASONABLE BUT ASSESSMENTS HIGH AND WENT ON TO ADD THAT THE LARGE INCREASE IN THE SAFEGUARDS BUDGET WOULD CAUSE PROBLEMS IN DISCUSSION OF THE T.A. TARGET.

13. ON THE QUESTION OF THE TARGET FOR THE VOLUNTARY CONTRIBUTIONS FOR TECHNICAL ASSISTANCE, THE US OPENED THE DISCUSSION WITH THE OBSERVATION THAT WHILE INSULATION OF THE DEVELOPING COUNTRIES FROM INCREASES IN SAFEGUARDS COSTS SHOULD BE STRESSED, THIS LIMITED OFFICIAL USE

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ALONE CANNOT BE EXPECTED TO MUTE CALLS BY LDC'S FOR PROPORTIONAL GROWTH. IN VIEW OF THE FACT THAT 1977 T.A. PROGRAM IS LIKELY TO BE FULLY IMPLEMENTED (INCLUDING FOOTNOTE A PROJECTS) AND TAKING INTO ACCOUNT THE LARGE UNOBLIGATED BALANCES IN OPERATING FUND II, A TARGET OF DOLS 6.5 MILLION SHOULD BE ACCEPTABLE. THIS TARGET PLUS THE DOLS 3,903,142 UNOBLIGATED BALANCES OF OPFUND II (GOV/1829, PAGE 9) WOULD MEAN THAT AGENCY WOULD HAVE FUNDS IN EXCESS OF 10 MILLION FOR IMPLEMENTATION OF T.A. REQUESTS. THE US ALSO PROPOSED THAT THE SECRETARIAT BE ASKED FOR A STUDY OF THESE UNOBLIGATED BALANCES TO BE PREPARED IN TIME FOR CONSIDERATION AT THE JUNE B.G. MEETING.

14. THE FRG SUPPORTED THE US POSITION SUGGESTING THAT THE SECRETARIAT ALSO BE ASKED TO PROVIDE INFORMATION ON THE TOTAL FINANCING AVAILABLE TO IMPLEMENT THE 1977 TECHNICAL ASSISTANCE PROGRAM AND RECOMMENDED THAT THE TARGET FOR VOLUNTARY CONTRIBUTIONS BE SET AT THE A&B COMMITTEE MEETING TO AVOID UNDUE COMPLICATION OF THE JUNE B.G. MEETING, WHICH ALREADY HAS AN EXCESS OF CONTENTIOUS ISSUES TO TAKE UP.

15. AUSTRALIA TOOK UP THE QUESTION OF TACTICS SUGGESTING THAT DEVELOPING COUNTRIES CAN BE EXPECTED TO ARGUE THAT 16 2/3 PERCENT INCREASE IN THE COST OF EXPERT SERVICES WHICH SHOWED UP IN THE '77 T.A. PROGRAM SHOULD BE THE BASIS FOR THE INCREASE IN THE TARGET. ON THIS BASIS THE TARGET WOULD INCREASE AN EVEN MILLION DOLLARS TO 7 MILLION DOLLARS. AUSTRALIA SUPPORTS A 6.5 MILLION TARGET, BUT FORESEES THAT THE PHILIPPINES WILL ASK FOR AS MUCH AS TEN MILLION TO PRESERVE THE BALANCE BETWEEN T.A. AND SAFEGUARDS.

16. CANADA OFFERED THE ARGUMENT THAT THE TARGET BE WITHIN THE RANGE OF THE IAEA'S DEMONSTRATED ABILITY TO SPEND I.E., AROUND FIVE MILLION AND THAT AT THE VERY LEAST AN INCREASE BE VIGOROUSLY RESISTED, BUT LATER RECOGNIZED THE POLITICAL

NECESSITY FOR A MODEST INCREASE IN THE TARGET.

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17. IN THE END A CONSENSUS WAS REACHED TO BEGIN DISCUSSION  
OF THE TARGET ARGUING THAT NO INCREASE IS NEEDED, AND TO AIM  
FOR SETTLEMENT AT 6.5 MILLION, AND TO BE PREPARED  
TO ACCEPT A TARGET OF 7 MILLION IF NECESSARY.STONE

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